GOVERNMENT OF ANDHRA PRADESH
ABSTRACT

Water Resources Department- Polavaram Irrigation Project- "Investigation, Survey, Preparation of Designs & Drawings and L.P. Schedules etc., (Balance) and (1) Construction of Earth Dam Gaps I & III, Earth Cum Rock Fill Dam for Gap - II, Spill channel, Approach Channel and Pilot channel (2) Construction of Spillway with crest level +25.72 m and its ancillary works and (3) Excavation of foundations of 960 MW Hydro Electric Power House, Approach channel, Intake structure, Tail race pool, Tail race channel etc., of Polavaram Irrigation Project on EPC Turn Key including O & M"- Release of payment of Rs.95.00 crores to M/s Transstroy-JSC-EC-UES (JV) through Escrow account for onward release of payment to M/s Bauer - L&T Geo (JV) to continue construction of Diaphragm wall of Polavaram Irrigation Project Head Works– Orders - Issued.

Water Resources (Proj.I.A2) DEPARTMENT

G.O.RT.No. 41 **Dated: 06-02-2017**

Read:-

From the ENC, PIP, Dowlaiswaram Lr.No. ENC/PIP/DCE/OT3 /AEE2/F.20, Vil,H, dated. 24-01-2017.

ORDER:

In the reference read above, the Engineer-in-Chief, PIP, Dowlaiswaram has submitted that the Polavaram Irrigation Project Head Works package- "Investigation, Survey, Preparation of Designs & Drawings and L.P. Schedules etc., (Balance) and (1) Construction of Earth Dam Gaps I & III, Earth Cum Rock Fill Dam for Gap - II, Spill channel, Approach Channel and Pilot channel (2) Construction of Spillway with crest level +25.72 m and its ancillary works and (3) Excavation of foundations of 960 MW Hydro Electric Power House, Approach channel, Intake structure, Tail race pool, Tail race channel etc., of Polavaram Irrigation Project on EPC Turn Key including O & M was entrusted to M/s Transstroy-JSC-EC-UES (JV) for Rs.4054 crores at (-)14.0555% less over I.B.M Value vide agreement No.1/ 01/2012-13 Dt:02.03.2013. An amount of Rs.314.86 Crores(7.76%) was paid to the contracting agency towards mobilization advance. [(i.e., Labour mobilization advance of Rs.118.40 Crores (2.92%) and Machinery mobilization advance of Rs.196.46 Crores(4.84%)].

2. Subsequently in order to expedite the progress of head works of Polavaram Irrigation Project, the Government issued orders in G.O Ms.No.13 Dated.25.01.2016 to revise the cost of balance works with S.S.R 2015-16 duly applying tender discount. Accordingly supplementary agreement was concluded with the contracting agency with revised rates of 2015-16 for Rs.5385.91 crores vide Supplementary Agreement No.1/ 2016-17 Dt. 07.10.2016.

3. The Government desires to complete substantial works of Polavaram Head works to divert the Godavari water into the canals by gravity by May, 2018. To achieve this target the contracting agency has to coordinate the works of all components simultaneously as per the approved construction programme.

4. The Contracting agency in their letter dated. 23-01-2017 duly enclosing letters from the sub-contractors L&T Geo Structure & Bauer informed that the work of construction of Diaphragm wall entrusted to BAUER –L&T Geo JV was in accordance with contract stipulations. The agreement with Bauer – L&T Geo JV contained the following conditions at their insistence in accordance with accepted international practice.

a) An interest free recoverable mobilization advance of Rs 80 crores to be paid prior to mobilisation of equipment against submission of corporate guarantees (As per Clause-6.2 Payment terms & other commercial conditions).
b) An amount of Rs. 57crs was to be paid as a payment of running bills against cost of the work on completed mobilization of all requisite machineries.(As per clause-9, Bill of quantities of Terms and conditions)

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5. The Engineer-in-Chief, PIP has further informed that an amount of Rs. 42 crores in two installments was paid to the sub- contractor against the agreed mobilization advance of Rs. 80 crs by the main contractor. During the meeting of the Hon'ble Chief Minister held on 23.01.2017, the main agency expressed their inability to fulfill their commitment for payment of balance Rs. 95 Crores (Rs.38 crores outstanding balance of Mobilization advance + Rs.57 crores Machinery Mobilization payment) due to severe financial constraints as they are in the process of mobilizing equipment worth Rs. 150 crores for the concrete works. Bauer - L&T Geo JV on their part expressed their inability to commence the construction work of the diaphragm wall in the absence of the receipt of their due payments and expenditures already incurred.

6. As per the deliberations on the above stated representation, the main contractor requested the department to obtain suitable orders for release of Rs 95.00 crores for arranging payment to Bauer – L&T Geo (JV) expressing their commitment to complete the work in time.

7. The Polavaram project is a national project and its timely completion is necessary for the people of Andhra Pradesh. The project provides irrigation facilities to an extent of 7.20 lakh acres of New ayacut besides transferring 80 TMC of Godavari water to Krishna River resulting into usage of Krishna water mainly for the projects of water scarce Rayalaseema districts. It also provides Drinking water facilities to 540 villages enroute the canals and supply 23.44 TMC of water to Visakhapatnam city for Drinking and Industrial needs. It also generates Hydro Power with installed capacity of 960 MW. Delay in the project's completion will not only deny the expected benefits to the farmers and industries but also lead to huge cost overrun. The project is designed for the highest in the world in spillway discharge capacity and unique diaphragm wall which need to be executed by specialized agencies with highest level of technical expertise. The specialized machinery and equipment worth about Rs.250 crores has been fully mobilized and kept ready at dam site for commencing the Diaphragm cut off wall.

8. The Engineer-in-Chief, PIP, Dowlaiswaram has therefore, requested for necessary orders on the representation of the main contractor and the sub contractor M/s Bauer–L&T Geo (JV).

9. Under the circumstances explained by Engineer-in-Chief, PIP, and in the interest of completing the work as per target, Government after careful examination hereby issue orders permitting payment to extent of Rs.95 crores towards balance mobilization advance of Rs.38 Crores against corporate guarantee of equal amount and machinery mobilization payment of Rs.57 Crores by granting exemption to the existing conditions of the contract and arrange payment to the specialized sub-contractor Bauer-L&T Geo (JV) through Escrow account to be opened without insisting for bank guarantee. The recovery towards payment of balance mobilization advance of Rs 38.00 Crores will commence from the next running account bill @ 20% of the amount pertaining to the Diaphragm Wall in the RA Bill till the entire amount is recovered.

10. The Engineer-in-Chief, PIP is also permitted to carry out appropriate modifications to the existing conditions of contract agreement to enable the above payment of Rs.95 crores.

11. The Engineer-in-Chief, PIP, Dowlaiswaram shall take necessary action in the matter accordingly.

12. This order issues with the concurrence of Finance (FMU- WR II) Department vide their U.O.No. 48022/35/2017-SO(FMU(WRD II)), dated. 03-02-2017.

(BY ORDER AND IN THE NAME OF THE GOVERNOR OF ANDHRA PRADESH)
SHASHI BHUSHAN KUMAR
SECRETARY TO GOVERNMENT

To
The Engineer-in-Chief, PIP, Dowlaiswaram
Copy To:
The Accountant General, AP, Hyderabad

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The Pay & Accounts Office, A.P, Ibrahimpatnam, Vijayawada
The Director of Works & Accounts, Vijayawada
Finance (FMU-WR II) Department
P.S to Minister (WRD)
P.S to Secretary (WRD)
SF/SCs.

//FORWARDED::BY ORDER//

SECTION OFFICER